USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary - Public

Clearance Office: Office of Trade Programs (OTP)

Date: 7/6/2009
GAIN Report Number: MX9319

Mexico

Post: Mexico ATO

THE MEXICAN MARKET FOR FRUIT AND VEGETABLE JUICES

Report Categories:

Product Brief

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Report Highlights:
Demand for juices in Mexico continues to increase as local production tries to keep pace. The U.S. continues to be the largest foreign supplier of juices to Mexico and that trend is expected to continue despite Mexico's recent imposition of a 20% import duty on U.S. juice exports. The Mexican government is considering changing the definition of what constitutes a juice product.

General Information:

SECTION I. MARKET OVERVIEW

Mexico is the sixth largest market for U.S. fruit and vegetable juices behind Canada, the Netherlands, Japan, Belgium and South Korea. Despite the impact of the economic downturn on the Mexican economy, U.S. products continue to dominate the Mexican imported juice market, accounting for more than 55 percent of the import market share. The increased focus on health in Mexico may have been a key factor in 2008 that resulted in a purchasing shift from the ever popular carbonated soft drinks to juices. U.S. fruit and vegetable juice export sales to Mexico increased 71% from $16.06 million in 2007 to $27.41 million in 2008, or a 43% growth rate in terms of volume.

The Secretariat of Economy published an announcement in the Diario Oficial (Federal Register) on December 3, 2008, that details the proposal for a new regulation on fruit juices. The proposal contains certain standards that fruit juices must comply with to be called or named a "juice". According to the beverage industry, this regulation will standardize the juice market and list actual fruit juices as "juices" instead of beverages containing artificial flavorings, sugar, and water, which are currently also being marketed as "juices". Although the regulation is intended for the domestic production of juices, it will apply to all beverage products sold in Mexico and labeled as fruit juices. This regulation is partially based on the international regulation created by the Food and Agricultural Organization/World Health Organization's food standards commission, CODEX: CODEX STAN 247-2005, General Norm of the Codex for juices (juice) and nectars of fruits.

On March 18, 2009, the Secretariat of Economy (SE) published an announcement in the Diario Oficial (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs are in retaliation over the dissolution of the U.S. - Mexico Cross-Border Trucking Demonstration Project. (See Report MX9010). Among the various agricultural products, the announcement stated that as of March 19, 2009, juices from the United States would be subject to a 20 percent duty.

Total U.S. Exports of Fruit and Vegetable Juice (Millions of Dollars)

Country	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2008
World	896.13	998.97	1079.66
Mexico	11.83	16.06	27.42
Canada	496.13	593.93	607.89
Netherlands	105.62	71.65	97.63
Japan	79.31	84.80	86.85
Belgium	15.24	35.83	26.88
South Korea	31.55	35.12	48.94

Source: World Trade Atlas

Advantages	Challenges
NAFTA implementation has maintained import duties at zero.	Tariffs applied to juices in retaliation over the dissolution of the U.S.- Mexico Cross-Border Trucking Demonstration Project are affecting the zero duty preference on juices.
Quality and freshness of U.S. products are key factors that could drive Mexican consumers'	A sharp decline in the Mexican economy may affect sales of premium juices, primarily those made of 100% juice. In addition, the Mexican

preferences.	government has established initiatives to try to reduce the elevated rates of obesity and diabetes in the population that could lead to severe regulation on the sodium and sugar juice content. This may lead to reformulation of products.
Better distribution systems are being developed by major retailers for high-value imports, which include better cold chain technology.	100% juice sales are expected to rise, however, U.S. juices are 40 percent higher than domestically produced goods.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

There is a growing demand for juices in Mexico as a result of a strategic advertising campaign which focuses on the health benefits found in juices. According to Euromonitor International, if the new tariff on U.S. juices continues in Mexico throughout 2009, sales could decline by as much as 30 percent from the 2008 level. In spite of this disadvantage, imports of Canadian products are not expected to benefit significantly. Imports of Canadian products account for less than .07 percent of Mexico's import juice market share.

Purchases of juices are increasing as Mexicans have less time to prepare fresh homemade juice. In addition, foodservice companies, looking to reduce costs, may begin to replace the traditional freshly made juices with ready-to-drink 100% juice.

Retail Sector

The retail sector continues to be the major distributor of juices in Mexico. Mexican supermarkets have advanced distribution systems and are equipped to satisfy increasing consumer expectations. Juice producers will benefit from the continued expansion of discount wholesale stores, such as Sam's Club and Costco, and from the creation of new upscale supermarkets (e.g.: Comercial Mexicana's City Market and Walmart-Mexico's Superama) which carry a wide variety of juices, both imported and domestically produced.

Market Size, Structure, Trends

Around 70% of the total sales volume of fruit and vegetable juices in Mexico during 2008 were produced by domestic manufacturers.

Jugos del Valle SAPI (a joint venture between Coca-Cola Export Corp and FEMSA) has improved its distribution network across the country. This development allowed them to increase their sales volume of fruit and vegetable juices in 2008 to the highest recorded level. In 2008, Grupo Jumex had a 27% share of the total market volume. Jumex juices maintain a secure positioning due to their history in the Mexican market.

Both Grupo Jumex and Jugos Del Valle SAPI conducted strong mass media campaigns during 2008. Jumex also expanded the use of the re-sealable metal can to a wider variety of their juices and adopted a juice pouch packaging for one of its lines directed at children.

Ajemex from Ajegroup, owners of Big Cola a carbonated soft drink, has a new line of low-priced fruit juices. In comparison to traditional brands, Ajemex is offering aggressive retail prices. The most popular breakfast juice is orange, followed by pineapple, apple, grapefruit, peach, mango, guava and strawberry. In addition, juice blends are entering the ready-to-drink market. Ocean Spray has introduced a new grape and cranberry juice combination in Mexico.

Company Share of Fruit/Vegetable Juice Market by Volume

Company	2005	2006	2007	2008
Jumex SA de CV, Grupo	23.2	25	26.4	26.7
LaLa SA de CV	25.9	24.3	22.6	22.1
Jugos del Valle SAPI de CV	-	-	-	21.8
Sociedad Cooperativa	9.1	11.2	11.2	11.2
Others	9.3	8.2	8.3	6.8
Unifoods SA de CV	5	4.5	4.1	4.1
Valle Redondo SA de CV	1.7	1.6	1.9	1.9
Ajemex SA de CV	-	-	-	1.4
Pepsi-Cola Mexicana SA de CV	1.7	1.5	1.4	1.3
Campbell de México SA de CV	0.8	0.7	0.9	0.9
Derivados de Frutas SA de CV	1.1	1	0.9	0.9
Coca-Cola Export Corp	0.9	0.8	0.7	0.7
Tecnologías Narciso SA de CV	0.1	0.1	0.1	0.1
Jugos del Valle SA de CV	21.4	21.2	21.4	-
Total	100	100	100	100

Source: Euromonitor

Total Mexican Imports of Orange juice, not frozen 20.09.19

(Millions of Dollars)

Rank	COUNTRY	Jan-Dec 2005	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2008
0	World	2.3111	2.6961	2.4866	2.5460
1	United States	2.2263	2.6293	2.4570	2.2641
2	Brazil	0	0.0537	0.0183	0.2433
3	Peru	0	0	0	0.0334
4	Germany	0.0089	0.0088	0.0106	0.0036
5	Denmark	0	0	0	0.0007

Source: World Trade Atlas

Leading Flavors in Mexico for 100% juice

% retail volume	2005	2006	2007	2008
Orange	51.0	50.5	50.0	50.0

Apple	16.0	16.3	16.2	16.8
Grape	13.0	12.8	12.5	13.0
Mango	6.0	6.5	6.7	7.0
Pineapple	5.0	5.1	5.2	5.0
Other flavors	4.5	4.4	4.2	3.3
Grapefruit	4.0	3.9	3.9	3.0
Mixed vegetables	0.5	0.5	1.3	2.0
Total	100.0	100.0	100.0	100.0

Source: Euromonitor

The trend of consumer segmentation is expected to gain strength as the largest players seek to cater to the preferences of seniors, adults, children and teenagers. Innovative formulations and more efficient juice options are expected with this trend.

According to Euromonitor, due to the growing awareness in healthy soft drinks, 100% juice and nectars (25%-99% juice) are likely to present the highest annual growth rate (CAGRs). The highest growth rates are expected to be from reconstituted 100% juices.

SECTION III. COSTS AND PRICES

Retail sales of juices grew at a higher rate than sales from restaurants as many Mexicans decided to eat at home on a more regular basis rather than eating out due to shrinking incomes in 2008. Global prices of fruits and vegetables used to produce juices were higher during the first half of 2008. The average retail unit price increased nearly 10% to MX$11.00 per liter. Fruit and vegetable juices grew 9% in terms of total volume and had a value growth of 20%, which resulted in three billion liters worth MX$32.5 billion in 2008.

Total volume growth for 100% juice showed a significant 15% increase reaching 220 million liters in 2008, thus its share of the total sales volume in the sector represented only 7%. Providing that global prices of fruits and vegetables remain fairly constant, by 2013, Euromonitor predicts that average unit prices of juices will increase to around 12% to reach MX$12.37/L.

SECTION IV. MARKET ACCESS

Under NAFTA, imports of health foods considered as preserved food require a special import permit. A Sanitary Previous Import Permit is required, along with a Sanitary Certificate and a questionnaire on Good Sanitary Practices must be completed. This Secretariat of Health requirement is administered by COFEPRIS-Federal Commission for Health Risk Protection (see contact section for more info).

The basic Mexican import document is the imports permit “Pedimento de Importación” (customs entry document), which must be presented to Mexican Customs along with the commercial invoice in Spanish and a bill of lading. Products qualifying as "North American" must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This is issued by the exporter and does not have to be validated or formalized.

Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Imported health foods to be sold in the retail sector must be labeled according to the Mexican government specifications in **NOM-051-SCFI-1994,** “General labeling specifications for pre-packaged foods and non-alcoholic beverages”. Under this NOM, nutritional information is voluntary, unless a nutritional claim is made and in this case the label must me evaluated by COFEPRIS. This NOM applies to most food items. Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and must include the following data: [1]

-Commercial/brand name
-Producer's name and address
-Exporter's name and address
-Country of origin (i.e., Product from/de EE.UU.)
-Importer's name, address and RFC number (taxation number)
-Product description in Spanish
-Product description in English
-Preparation and handling instructions
-Net weight in metric units
-Date of expiration
-Ingredients
-Special warnings*

*Effective January 7, 2004 all labels with special information will have to be translated by specialized translators authorized by the Secretariat of Health for such purposes. A list of these translators may be obtained through the COFEPRIS. The translator must receive the original label (not translated) including the product’s contents list and its formula. Based on this, the translated label will be amended based on the COFEPRIS’ definition if the product is or not a food supplement.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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[1] **1** For a detailed study of Mexican Regulations for Exporting/Border Crossing, Import Requirements and additional information on labeling NOMS, see following Gain Reports MX8313 Mexico Exporter Guide, MX8314 FAIRS Report and MX1223 Labeling Regulations at http://www.fas.usda.gov/scriptsw/attacherep/default.asp